Bosnia's red tape bulldozer

By Mark Landler

SARAJEVO, Bosnia-Herzegovina: When Benjamin Herzberg concluded in 2001 that the air had gone out of the Internet bubble, he decided to quit his job at a software company in New York City and follow his wife to another high-wire destination: Bosnia.

To say that Herzberg traded Silicon Alley of New York for Sniper Alley here does not quite capture his journey.

Serbian gunmen no longer menace the main street in Sarajevo, Bosnia's capital. These days, the risk for an ambitious new arrival here is to fail quietly — to sink without a trace into the quicksand of a country that has soaked up billions of dollars in international aid and frustrated foreigners since 1996.

That was almost Herzberg's fate. After moving here with his wife, Deborah Isser, the chief of staff for the international community's deputy high representative, he tried comic-book publishing, something he had done earlier.

Herzberg, 33, who grew up in Paris and has French and Israeli passports, encountered so much red tape that he published his comic book in France.

Though frustrating, the experience has served him well. A few months later, Paddy Ashdown, the high representative, hired him to tackle Bosnia's encrusted rules and regulations as an agent of the international community, with the goal of reforming the country's economy.

Ashdown, a British politician with an ear for a catchy phrase, had declared in a speech that the only way to sweep away the barriers to business in Bosnia would be to bulldoze them. It fell to Herzberg to turn Ashdown's oratorical flourish into a workable program. Since late 2002, Herzberg has devised and led the Bulldozer Initiative: 50 economic changes to make Bosnia more business-friendly.

Herzberg sold the reform agenda by using his skills as a showman.

His goal was to get the changes passed in 150 days, a tight timetable chosen purposely to inject a sense of urgency into the matter. The last of the changes was adopted by Bosnia's three Parliaments on May 29, a month later than Herzberg had hoped, but months — and potentially years — earlier than otherwise had been thought possible.

"This man has made an idea into a fantastic reality, arguably the biggest success we have achieved in this country," Ashdown said.

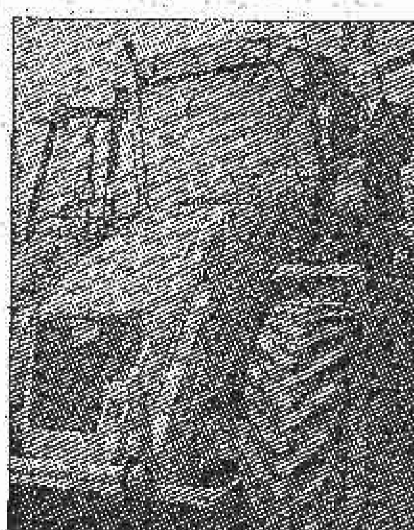
"The beauty of what Benj has done is that he has, for the first time, created the voice of a civil society here," he added. "Businessmen now interface directly with the government."

A scholarly-looking fellow, Herzberg was not the most obvious person to drive Ashdown's bulldozer. The son of a garment dealer and a social worker, Herzberg views himself as a businessman.

"I'm not a diplomat," he said. Indeed, he complains that in Bosnia, "the regulations are piled on top of each other like some kind of disgusting layer cake."

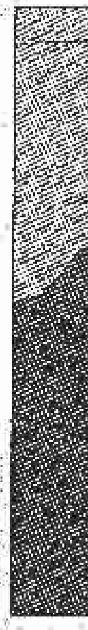
While he may need to polish his skills as a statesman, Herzberg has sold the reform agenda to Bosnians by using his considerable skills as a showman — skills he developed during the hyperoxygenated days of the Internet, when he was peddling e-commerce solutions.

The initiative has won praise from lo-



Hidajet Delic/The Associated Press

Herzberg turned Ashdown's bulldozer metaphor into the "Bulldozer Initiative."



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Polish and Czech banks cut rates to spur economies

From news reports

Two incoming members of the European Union cut interest rates on Wednesday to bolster faltering economic growth.

The central bank of Poland, the largest economy among the 10 nations set to join the European Union next May, cut its benchmark interest rates for a sixth time this year, amid signs of a slowdown. The Monetary Policy Council in Warsaw reduced the 14-day intervention rate, used to adjust the amount of money on the market, by a quarter percentage point to 5.25 percent.

The bank has cut rates 20 times since a series of reductions started early in 2001, when the economy slipped into its worst slowdown since the country abandoned communism 14 years ago. Record-low borrowing costs helped first-quarter growth more than quadruple from a year ago without a negative effect on inflation, the target most watched by the central bank.

The Czech central bank also cut interest rates Wednesday to a record, a month earlier than economists had expected. The benchmark two-week repurchase rate was reduced for a second time this year by a quarter of a percentage point to 2.25.

Separately, Norway's central bank cut benchmark rates by a full percentage point to 4 percent amid signs growth in the oil-rich economy has ground to a halt. Norway, which is not a EU member or candidate, may trim rates further. *(Bloomberg, AFP)* er

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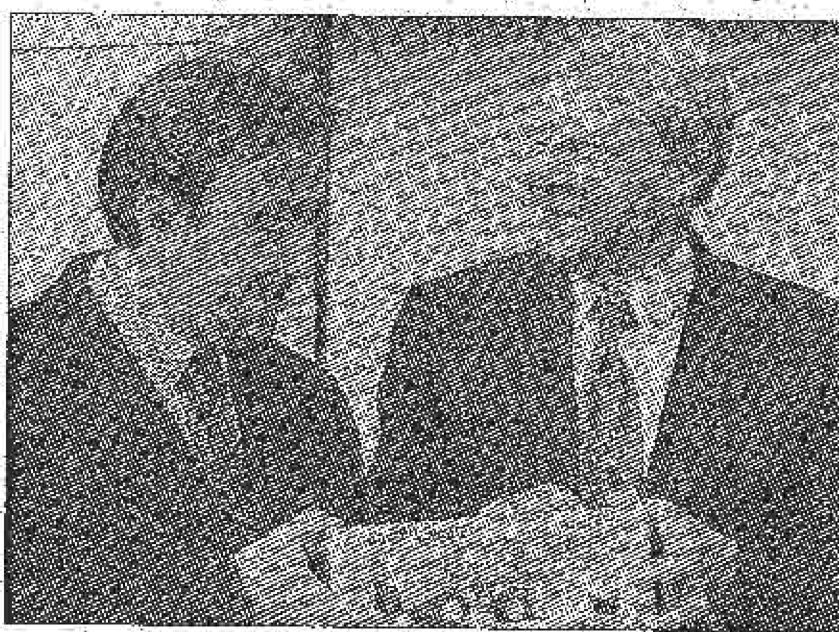

Hidajet Delic/The Associated Press

Paddy Ashdown promotes the "Bulldozer Initiative" to help businesses in Bosnia.

cal and foreign executives, even those who despair that the country will never shake off the legacies of a civil war and a centrally planned economy.

"It's very important, particularly because it happened so quickly," said Wolfgang Wenzel, director of Volkswagen AG's plant near Sarajevo.

By mobilizing the support of businesses and promoting the campaign relentlessly in the news media, Herzberg overcame the vested interests and inertia that usually doom such efforts.

The changes, he noted, were all proposed by local business people, based on the bureaucratic hurdles they faced. That made them harder for politicians to resist or water down.

Herzberg "was the first person from the international community to ask us what our problems were," said Tomislav Grizelj, who runs a waste-water treatment company in Sarajevo.

The changes include such humdrum items as easing a regulation requiring publishers to put bar codes on magazines and newspapers.

Herzberg said he avoided more sweeping changes — like an overhaul of the tax system — because they could not be achieved quickly, and because some would conflict with the work of other organizations, like the European Union or the World Bank.

"Some of the businessmen said, 'I pay too many taxes,'" Herzberg recalled. "We had to be realistic."

Some critics said that by setting its sights low, the initiative devalued the concept of economic change.

"Changing a few articles in a commercial regulation is not a reform," said Senad Pecanin, the editor of the weekly magazine, Dani. "A reform is changing the constitutional structure."

Others, however, say Bosnia has to start somewhere. And some of the regulations are less trivial than they sound. For half a century, for example, companies that build factories and office buildings have been required to pay a percentage of the construction cost to the city to maintain atomic bomb shelters that were rarely used, even during the civil war of 1992 to 1995. The money is often diverted to political parties.

"It is completely meaningless," said Stojan Presic, a businessman in the town of Doboj, who proposed eliminating the fee. Presic, who built an office for his new trading company, said he would have saved only about $600 if he did not have to pay the tax. But he would not have felt cheated. "Whenever people talk to me about taxes, I feel like my ears are growing, and I'm turning into a donkey," he said.

Now, Herzberg is preparing for the next set of reforms, which he says must be pushed by the local people themselves. Given Bosnia's dismal record, he concedes that they could easily stall.

"That's a risk," he said. "But we have to allow people to build their own state. We can't just say, 'it will never work.'"

The New York Times

BRIEFLY

EUROPE

EU and U.S. to bargain on trans-Atlantic flights

The European Union and the United States have agreed to begin negotiations in the "early autumn" to create a common trans-Atlantic air travel market.

"This is an historic opportunity to build upon the framework of existing agreements with the goal of maximizing benefits for consumers, airlines and communities on both sides of the Atlantic," the European Commission, the EU's executive arm, said in a statement.

The EU had called for talks with the U.S. on an "open skies" accord giving carriers free access to airports on both sides of the Atlantic in a bid to spur takeovers in Europe's airline industry. European carriers will lose as much as $2.5 billion this year because of SARS, the Iraq war and a slowing economy, the Association of European Airlines said in May. *(Bloomberg)*

■ **AVENTIS SA**, France's largest drugmaker, said Wednesday it would pay **Zealand Pharma A/S** of Denmark as much as $110 million for rights to an experimental diabetes drug. The product, ZP10, treats Type II diabetes. It is in the first two of three phases generally required for marketing approval. *(Bloomberg)*

■ **DUTCH BANKS** lent less money last year in the Middle East and Asia as a slump in financial markets, accounting scandals and political turmoil prompted them to seek less risky investments, the country's central bank said. Lending by Dutch banks to the Middle East dropped by 30 percent and credits to Asia slipped 26 percent, the central bank said in its June statistical report. *(Bloomberg)*

■ **MANNHEIMER HOLDING AG** said the German insurance federation has informed its management that the currently planned rescue for the company, with the injection of new capital, is unlikely to take place. *(AFX)*

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w The Sampo Value Fd $ Cls	$	991.44
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